Statement of the American Farm Bureau Federation

TO THE
HOUSE COMMITTEE ON AGRICULTURE
REGARDING THE FARM BILL

September 20, 2006

Presented by:
Bob Stallman
President, American Farm Bureau Federation

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As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.

FARM BUREAU represents more than 5,600,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

FARM BUREAU is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

FARM BUREAU is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

FARM BUREAU is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

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AMERICAN FARM BUREAU FEDERATION
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Good morning. My name is Bob Stallman. I am a rice and cattle producer in Texas and the President of the American Farm Bureau Federation.

There is no question the existing Farm Bill is popular with farmers and ranchers throughout the country. Continued maintenance of its structure and funding is a high priority for Farm Bureau. By an 89 to 11 percent vote, American Farm Bureau Federation voting delegates cast a resounding vote in support of extending the economic safety net of the current Farm Bill until a new world trade agreement is reached that would increase foreign market access for U.S. farmers and ranchers. One of the most important reasons for this extension is the current stalemate in the World Trade Organization (WTO) negotiations.

Trade Implications:

America's farmers and ranchers believe a significant expansion of trade opportunities is the only acceptable outcome of the WTO negotiations. An agreement on agriculture must achieve a balanced, ambitious outcome in which the benefits from new market access and the removal of trade-distorting policies provide net gains for U.S. agriculture. Any useful agreement for U.S. agriculture requires a balance between the gains in exports due to the lowering of tariffs around the world and the reductions in income to producers from lowering spending limits on certain domestic support programs. This balanced outcome, with a trade-expanding, market-access component, can only be achieved by maintaining an effective domestic farm program.

The outcome of the negotiations, particularly as they relate to domestic support commitments, must be known and taken into account before we begin crafting a new Farm Bill. We must negotiate a WTO agreement that accomplishes our objectives and then modify our Farm Bill accordingly – and to the extent necessary – based on the final outcome of the negotiations. Why?

1. <u>This approach provides U.S. negotiators the strongest negotiating leverage.</u> United States agriculture does not compete on a level playing field. In today's world market, the anti-competitive trade practices employed by foreign governments against U.S. farmers are not fair. Foreign tariffs average 62 percent on our agricultural exports – more than five times higher than the average U.S.-imposed agricultural tariff of 12 percent. Additionally,

the European Union uses 87 percent of the world's export subsidies – which severely disadvantages U.S. exports. The U.S. utilizes only 3 percent and the rest of the world uses the remaining 10 percent.

Each year, the Organization for Economic Cooperation and Development (OECD) estimates average subsidy levels to producers for the world's richest 30 countries. The OECD defines "Producer Support Estimate" as subsidies as a percent of farm receipts. This calculation is likely the most comprehensive and accurate way to truly measure the support provided to a nation's agriculture through tariffs, export subsidies, export credits, domestic support programs, and the various other ways countries provide support to their producers. In June, OECD released its projection for percentage of Producer Support Estimate (PSE) by country for 2005. The average percentage PSE for the world's richest 30 countries is 29 percent. The U.S. falls far short of the average – at only 16 percent. The European Union and Japan – two countries that are critical to successful completion of the WTO negotiations – both far exceed the average OECD number for support to their producers.

OECD PSE Percentages Projected for 2005	
Australia	5
Canada	21
European Union	***32***
Iceland	67
Japan	***56***
South Korea	63
Mexico	14
New Zealand	3
Norway	64
Switzerland	68
Turkey	25
United States	***16***
OECD	***29***

The primary component the U.S. has to offer in the negotiations are reductions in our domestic support programs. The leading component for many other countries is primarily reductions in high tariffs. If we reduce our domestic supports in an upcoming Farm Bill budget reconciliation debate, we have less leverage to use to convince other countries to reduce their tariffs and exports subsidies. Our strongest negotiating leverage is to maintain our current programs until we agree to a WTO Round that is beneficial for agriculture.

2. We are simply not far enough along in the negotiations to anticipate a likely WTO outcome and to make changes to the Farm Bill. Critics of our Farm Bill say that any successful WTO negotiation will require reductions in our farm programs near the 60 percent of trade-distorting domestic support level offered by the U.S. a year ago. While Farm Bureau strongly supports conclusion of a successful WTO Round, we will not

unilaterally cut our domestic programs without a commensurate reduction in tariffs, supports and subsidies from other countries.

In addition, we do not know what will be agreed to at the end of the negotiations. There may be smaller average tariff cuts and a larger number of sensitive products than the U.S. had previously sought. While those proposals were evidently never formally offered, they may indeed be offered in the future. If that is the case, we must look again at whether the market access gains we receive from those reductions outweigh the losses in reducing our allowable domestic supports by 60 percent. Altering our farm programs now to reduce supports by 60 percent -- just in case that is what is included in the final agreement -- makes no sense. It is important to remember that a similar "stalemate" in negotiations occurred during the Uruguay Round. The stalemate lasted three years. In the end, the impasse was broken after an agreement was forged that was less than what many had expected or hoped. If that happens in these negotiations, we could be looking at reducing our authority for domestic supports far less than 60 percent.

It is also important to remember that there is still a huge amount of negotiation and follow-up implementation work that must be concluded before we can accurately estimate how much the U.S. could gain from more market access. Using the U.S. proposal for tariff cuts as a reference, our analysis concludes that trade gains could be large. However, gains could be heavily concentrated in a few key country/commodity markets. With the U.S.'s proposed 60 percent average cut in global tariffs, for example, we estimate that China could make up as much as two-fifths of our export gains from a successful WTO Round, followed by the European Union at a quarter. These two markets alone could account for over two-thirds of the added product we could expect to export in a more open market setting.

To go a step further, it appears now that the top 25 country/commodity pairs account for about 67 percent of all estimated U.S. export gains from a WTO agreement. For example, rice exports to China represents 8 percent of our potential trade gains. Corn exports to Mexico makes up 2.4 percent and beef to France makes up 2 percent of those gains. We are a long way away from negotiating decisions at the country/commodity levels where the real potential gains will be known. Making cuts in our domestic support programs prior to those decisions is not the best alternative for the U.S.

3. Reforming the Farm Bill now absent a final agreement offers no assurance that additional reforms would not be required when an agreement is finalized. I have heard some say that "a question American agriculture is going to have to answer is, if we have to change our agricultural policy, are we going to do it on our own terms, or perhaps have someone else influence those terms more than we would like?". A few years ago, the European Union decided to change their policy on their own terms and adopted their Common Agricultural Policy. These reforms shifted many of their programs from more trade distorting programs to programs that qualified for the non-trade-distorting "green box". Many Europeans believed by doing so that their changes would suffice as their contributions to the Round. Virtually no country is giving the European Union "credit" for those changes. Indeed, it appears the more common theme is to ask the Europeans,

"what have you done for me lately?" In a similar vein, the U.S. offered a bold reduction in our trade distorting domestic supports only to have it viewed as a "starting point" for the negotiations rather than a down payment. If we attempt to pre-judge our contributions to a successful WTO Round in an upcoming Farm Bill, we could fall prey to the same outcome as the Europeans.

Farmers and ranchers are willing to lower farm program payments via the World Trade Organization negotiations if -- and only if -- they can secure increased opportunities to sell their products overseas. However, we are not willing to unilaterally disarm. Any revamping of the farm safety net must be done in concert with a WTO agreement that reduces tariff and non-tariff barriers, reduces and harmonizes trade-distorting domestic supports and eliminates export subsidies among other features.

Since the WTO talks were indefinitely suspended in July and it is uncertain when the talks will resume, Farm Bureau is seeking an extension of the current farm bill for at least one year. We will support making minor adjustments to the bill in order to comply with recent WTO rulings. <u>In the meantime, U.S. farm policy should continue to help level the playing field with assistance to America's farmers until trade negotiations achieve a truly fair world market.</u>

On a related issue, there are those who say we must change our farm programs now due to the Brazilian cotton case. While the U.S. could face new WTO litigation on our support programs, the question to consider is how vulnerable other crops are to similar challenges since those commodities benefit from many of the same programs as cotton.

Only cotton is immediately affected by the WTO cotton panel's serious prejudice rulings. For other commodities to be affected, new cases would have to be filed by countries attempting to demonstrate the same or similar adverse effects, and those cases would be heard by different panelists over an extended period of time.

Panels examining whether other crop programs are causing serious prejudice to other WTO member countries will be considered on a case-by-case basis, taking into consideration the type and aggregate level of subsidization for a given crop, the subsidization as a percentage of the value of production, the trends in subsidies and production, the portion of the crop exported, world market shares, price effects of the subsidies on the world market and whether exports have displaced other supplying countries.

We have looked at most of these questions and believe that it will be more difficult to prove serious prejudice in other crops than it was for cotton. Subsidies of the type that were found to be causing serious prejudice in cotton are quite low in the cases of wheat and soybeans and have generally declined in recent years. Although such subsidies for rice have been substantial in the past and remain significant, they too have declined in recent years. Subsidy levels for corn have grown in recent years, but remain lower than for cotton relative to the value of production. U.S. production and exports have generally not grown, or at least not to the extent they did in cotton, and market shares have remained generally flat or actually declined.

Of course, our analysis was neither a full-fledged econometric analysis nor a legal brief of the type that would be done in an actual case. Our examination of the facts is just a snap-shot in time. Vulnerability can change as subsidy levels change. In the end, it is impossible to predict how a panel will rule, as we found out in the case of cotton. <u>However, to alter farm programs now because a country "might" file a case against our farm programs – and it "might" succeed and be implemented in two or three years – is not a good reason to alter current farm policy.</u>

Economic Implications:

Farmers and ranchers often tell this Committee they are on the edge of their next disaster. Indeed, they can see their futures turn on a dime, almost entirely due to circumstances beyond their control. The rice industry recently saw their financial condition turn quickly. The cattle industry is still living with the Christmas present one cow left us three years ago. Today, however, I'd like to discuss a slightly different view of agriculture, one that is backed up more by numbers and less by rhetoric.

The overall agricultural economy is in reasonable fiscal shape. Certainly there are individual producers who face challenges and who have gone through tough economic straights. Those include producers faced with the storms and fires of the last two years and those who are now working through years of drought, as well as those who have lived through hurricanes and too much moisture. The cattle and rice industry are two more examples, but the overall numbers display an industry operated by sound and prudent business managers.

If we review the farm sector balance sheet between 2002 and 2006, there is solid numerical evidence that producers have done an outstanding job of managing the business of agriculture. The debt-to-equity ratio for agriculture in 2006 is projected by USDA to be the lowest level since this statistic was first kept in 1960. In 2002, farm assets were pegged at $1.3 trillion. In 2006 they are expected to grow by more than $600 billion to $1.9 trillion. Producers have not gone wild with borrowing. The rise in their equity was achieved with an increase of only $23 billion in farm debt during that same five-year period. Farmers and ranchers have been outstanding business managers during this time. They have been sensible in the use of support they have received from the citizens of this country. On behalf of all the producers who have received that support, we say thank you.

OTHER IMPLICATIONS:

As we turn to the future and the circumstances that will likely be in place when we craft the next farm bill, one has to have both a strong sense of excitement and concurrently a sense of significant concern. This uncertainty, coupled with the trade issues discussed before, justifies the call for extension and continuity in our farm programs. In addition:

1. Many of us see a tremendous opportunity coming to the sector in the next few years. The explosive growth in demand for agricultural products for biofuels production will create more change than the sector has seen for decades. Thanks again in large part to the vision of several members of Congress representing both political parties, last year's energy bill created the environment that is letting the market respond to this year's sharply higher energy costs. Farmers and many others in rural America have responded by investing in ethanol and bio-diesel plants. Based on the investments already made, steel and concrete being poured right now, we will process more corn into ethanol in the 2007-2008 crop year than we export. We will significantly exceed the Renewable Fuels Standard mandate provided for in the 2004 legislation. What we need next is the drive to make the product available to the consumer.

This tremendous demand shift will require producers to make a fundamental adjustment in land use to draw a third or more added acres into corn production. The economics will determine which crops and what other uses for arable land including improved pasture and reserve programs will ultimately lose the acreage necessary to produce enough corn. USDA's farm income surveys indicate that this shift to corn will require significant added short and long term investment on farmers' part. Even shifting acreage already in soybean production to corn will require the commitment of substantially more capital. For example, the surveys indicate that the typical mid-western operator shifting 500 acres from soybeans to corn would have to double the investment in annual operating capital from $48,000 to $105,000. Longer term investment in machinery and possibly storage also would go up a third from $235,000 to $305,000. The added short and long term investment needed to shift acreage from other uses could be even higher. Don't get me wrong. Farmers want additional domestically produced energy. Farmers want to step up and provide all the supply they can. But, recognizing how volatile this market can be, these same producers would like some revenue guarantees before making investments of this magnitude.

2. Our producers are also faced with considerable uncertainty on other fronts. One of the biggest of these are high fuel and fertilizer costs. As recently as 2003, production agriculture spent $6.8 billion on fuel and oil. In 2006, USDA projects that expense to reach $11.5 billion. In fact, from 1996 through 2003, the life of the 1996 Farm Bill and the early years of the 2002 bill, fuel and oil costs averaged $6.4 billion. Today, farmers are facing costs that are nearly double that level.

This cost increase is not limited to fuels and oils. Overall, manufactured inputs are projected by USDA to total $38.3 billion for 2006, nearly a $10 billion rise from 2003 levels. Another component most expect to rise over the next few months is interest costs. Farmers' outlays on interest expenses were $12.7 billion as recently as 2003, with USDA projecting $16.3 billion for 2006.

Clearly, the cost of inputs, whether they be fertilizer or money, are expected to be much higher for the upcoming farm bill period than was the case during this Farm Bill. The higher cost of steel and other inputs will likely add to other capital costs as well. With a significantly different cost structure, at a time we are asking these same producers to make significant investments to help provide for our nation's energy future, changing policy structure does not provide the kind of solid footing our producers need.

3. Trade in all its components also must be considered. Opening markets to our products is a tremendous opportunity for our nation's ranchers and farmers, an opportunity our membership has strongly supported for years. While trade represents a tremendous opportunity, there are also some significant risks for the individual producer. Recall what one case of BSE did to our largest export markets more than three years ago, what some mute swans did to our poultry markets to South Korea, and what the recent rice biotechnology incident has done to our rice producers. In each case – and we could cite many, many others – markets that had been serviced with high quality product for years, were yanked away from producers at a moment's notice, for circumstances over which they had no control. In fact, the producers had essentially been working hard to provide the investment and high quality product demanded by the foreign market. Until and unless we get these non-tariff barriers to trade managed with a science-based standard and convince other countries to adhere to that standard, our producers are going to continue to face arbitrary market manipulations by foreign governments. We need to consider some form of protection for our producers from these acts as well.

4. The 2002 Farm Bill was carefully constructed to provide predictable support for commodity, conservation, nutrition and export promotion programs. Congress struck a balance in funding each of those programs. More importantly, Congress determined the tax dollars they were willing to spend on those programs over the life of the farm bill. This determination was based on cost estimates produced by the Congressional Budget Office (CBO) prior to House and Senate passage of the bill in early 2002.

Two-thirds of the CBO estimated price tag for the entire farm bill was for nutrition programs rather than for commodity, conservation and export programs—the three programs most often referred to as the traditional "farm programs." Those three farm programs were projected to cost $122 billion.

While spending on the non-farm programs for the first four years of the farm bill is costing about what CBO projected, spending on the three farm program components is well below the estimates made in 2002. In fact, using the August 2006 Congressional Budget Office baseline, the farm program components cost $17.8 billion less than projected over the first four years of the bill. It is anticipated to be $16.1 billion less over the six-year life of the bill than the projected cost when the bill became law. That is 15 percent less spent on supporting our nation's farmers and ranchers than Congress believed was an appropriate amount of support in 2002.

	2002	2003	2004	2005	2006P	2007P	TOTAL
Projected Cost in 2002	19.3B	21.3B	20.9B	20.0B	18.7B	17.8B	120.0B
Actual Cost in August	15.5B	17.4B	10.6B	20.2B	20.3B	17.9B	101.9B
Difference	3.8B	3.9B	10.3B	-0.2B	-1.6B	-0.1B	16.1B

5. The Farm Bill provides an adequate safety net to farmers and ranchers when commodity prices are low. When prices rise, the law functions without additional funding from the government via counter-cyclical payments or loan deficiency payments.

6. The Farm Bill continues to address the goal of producing a safe, abundant, domestic food supply. Over the last year, we've more than paid for our dependence on foreign oil. Imagine if we had to depend on foreign countries for our food.

7. The Farm Bill is a good policy that provides a measure of stability in our food production system. Consumers in our country fare very well at spending less than 12 percent of their disposable incomes on a nutritious, safe, quality food supply. When the Farm Bill was passed in 2002, the Congressional Budget Office pegged the cost of farm programs and activities at about $58 per American per year through 2007. Revised estimates show the actual cost closer to $53 per American per year, or about 15 cents per day.

8. The economic setting heading into the Farm Bill is changing. U.S. farm income levels are projected down substantially in 2006, partly due to multi-billion dollar increases in energy costs. U.S. net farm income (including government payments) set a record in 2004 at more than $82 billion, followed up in 2005 by an income level of more than $72 billion. The projected 2006 farm income of $56 billion is down significantly from the last two years.

In summary, we are entering a period of significant opportunity, but also one of significant risk for the sector. The enormous potential of the bio-energy market could change production agriculture more than any other factor in the last 30 years. But, with that opportunity comes challenges. Producers are going to be asked to make significant investments in their industry to grow the feedstock that will help reduce our dependence on foreign oil supplies. When the investment will provide such tremendous benefit to our society as a whole, it is not unreasonable to ask for some producer protection while the investment is being made.

Alternative Options and Issues

While we support at least a one-year extension of the Farm Bill, we and others have had initial discussions about new policy options for future farm bills. We have completed some initial examination of those policy options and issues.

Supply Management

Over the last 50 years, the United States has tried agriculture policies that idled acreage as a means of improving farm income. They did not work. We idled acres, but we farmed the remaining acres more intensely to make up for the lost market opportunities from idling land. When we idled land, our competitors kept increasing acreage. We must not forget the lesson we learned 25 years ago. In the 1980s, the United States cut back production by 37 million acres and our competitors increased their production by 41 million acres. When we changed our policies in the 1996 Farm Bill to eliminate set-asides and paid diversions, the whole picture changed. From 1996 to 1999, the U.S. cut back production 2 million acres and our competitors reduced their production 28 million acres. We must not return to supply management programs.

We also tried storing our way to prosperity. That did not work either. We tried having the Commodity Credit Corporation store grain in bins across the country. We tried having farmers store the grain on their farms. The results were the same. We stored grain and cut acreage while the rest of the world increased production and took our markets. We must not implement a farmer-owned reserve or any federally-controlled grain reserve with the exception of the existing, capped emergency commodity reserve.

Payment Limitations

Farm Bureau continues to oppose any changes in current farm bill payment limitations. Simply stated, payment limits bite hardest when commodity prices are lowest. Our federal farm program is based on production. Time and time again, this has proved to be the best manner for distributing assistance to the families most responsible for producing this nation's food and fiber. Farmers who produce more traditionally receive larger payments, but they also take larger risks and have significantly higher investments in their farms. When crop prices are depressed, no farm is immune to difficulty, especially those with greater risk. It is true that larger farm enterprises receive a larger percentage of total farm program payments than smaller ones. However, farm policy has always been production-based rather than socially-based. Only if we want to allow someone in Washington to decide "winners and losers" should we move to a socially based policy.

Livestock Production

Livestock production often is overlooked as organizations prepare for the next farm bill. While the farm bill does not directly deal with programs to support livestock, the type of farm policy we develop should enhance livestock production across the U.S. As we look at trade in the future, meat and meat product trade should be expected to grow in significance. We need a high quality supply to meet that demand. Regulations that negatively impact opportunities for livestock producers should be reexamined so that our producers can maintain a competitive position in the world.

Fruit and Vegetable Planting Prohibition

The recent ruling by the WTO will likely push the planting flexibility provision to a top issue in the upcoming Farm Bill debate. The panel concluded that, because of planting restrictions, U.S. direct payments were not consistent with "green box" support (subsidies permitted by the WTO because the effects on trade are minimal).

If the planting prohibition is eliminated and program crop producers are allowed to plant fruit and vegetables on program crop base acres, it will likely affect the revenue of some established fruit and vegetable growers. In this scenario, producers of program crops would continue to receive direct payments and counter cyclical payments while competing with specialty crop producers who are entirely at risk in the marketplace.

A small shift in program crop acres (263 million acres) to specialty crops (10 million acres) could have a dramatic impact on production and prices of specialty crops. In fact, a 1 percent decrease in program crop production translates into a potential 30 percent increase in fruit and vegetable acres.

Our voting delegates firmly supported a policy that calls for our farm programs to be WTO compliant. Given the ruling in the Brazil cotton case, we must find a way to eliminate the fruit and vegetable planting prohibition. However, the current prohibition is a fundamental matter of equity among farmers. We do not support elimination of the planting prohibition until a workable WTO compatible compensation program for fruit and vegetable producers is adopted.

Revenue Assurance Programs

As mentioned earlier, our voting delegates support the concept of moving to alternatives to the current farm program design, including revenue assurance programs, if we receive an "economically proportionate increase in agricultural market access and elimination of export subsidies" in the WTO Round.

In conjunction with other commodity groups, Farm Bureau has been involved in a preliminary examination of revenue assurance options. This effort probably resulted in raising more questions than generating answers. The questions are broad and basic and include: (a) whether you would insure individual commodities or just provide for whole farm coverage; and (b) whether you are insuring gross or net revenue. The initial work indicates that simply protecting 70 percent of the market revenue for individual program commodities would cost $3.4 billion annually. This would provide a safety net for producers that is well below levels now provided. Therefore, comparing a $3.4 billion estimate to current outlays is clearly like comparing apples to oranges.

In addition, there is still much work to be done to make sure that a program based on revenue (tied to price and/or production) could be classified as green box. We have discussed the Canadian program with their officials and producers to learn what they do and do not like about their program. Like any program option, the devil is in the details. While there is "interest" in the concept, further details are necessary before we can determine whether it benefits agricultural producers.

Conservation Based Programs

The 2002 Farm Bill provides a strong measure of progress on the environmental front. It is the "greenest" farm bill in history in terms of authorized conservation funding. Improved environmental practices will benefit everyone through improved soil, water and air quality and wildlife habitat. Voluntary and incentive-based programs have historically worked the best for producers.

Our farmers and ranchers have been prudent managers of our country's natural resources. Contrary to what some may have you believe, those involved in production agriculture have taken great strides to improve their environmental performance. In 1982, USDA estimated the average erosion from an acre of farm land totaled 7.3 tons. This same estimate for 2001 was down to 4.7 tons per acre.

When looking at any farm program design, the devil is always in the details. As an example, the American Farmland Trust (AFT) proposal at this point in time, leaves a lot of those details behind, making it somewhat difficult to determine the devil's shape.

Their program begins with a national revenue support program. "At the beginning of each growing season…" the government would announce projected per acre revenue for the commodity. After harvest, the government would calculate actual revenues based on market prices received and observed national average yields. If the observed revenue was below the earlier estimate, all producers would receive a check to make up for the difference. This 'average revenue' would be re-estimated every year and would therefore react to market prices. One of those devils is whether or not a producer would be required to plant to receive the payment. If that requirement is in place, then the program would arguably not qualify as a green box program. If based on individual commodities, what's the difference from our current countercyclical program?

The proposal recognizes that this kind of nationally triggered program would not cover individual losses, thus the proposal states a private company 'can' provide for protection of individual losses above that provided by the national program. Yet there is no mention of what government support would or would not be offered to help encourage private insurers to offer such a program. Finally the proposal provides for direct payments to all producers, based on some unspecified environmental performance.

We need to be careful as we consider a more conservation-based program to keep in mind the income support that the current program provides operators in a volatile market setting. Conservation programs are not a perfect substitute. Some retirement conservation programs—such as the Conservation Reserve Program—actually displace farm income on a dollar-for-dollar basis. Farmers loose operating revenue or rental payments roughly equal to the payments they receive in return for long term retirement. Some working conservation programs—such as the Environmental Quality Incentives Program (EQIP) or the Conservation Security Program (CSP) --share the costs of environmentally-friendly investments in farm capacity. In cases where the investment would not have taken place without the program, farmers actually incur higher costs that can dampen income in at least the short term. In cases where the investment would have taken place without the program, some EQIP and CSP dollars can make their way through to the farmers' bottom line. Hence, while conservation programs are critical, they have to work in conjunction with rather than as a substitute for current commodity programs.

TRANSITION:

Farm Bureau supports at least a one-year extension of the current Farm Bill. We will support making minor adjustments to the bill in order to comply with recent WTO rulings. In the meantime, U.S. farm policy should continue to help level the playing field with assistance to America's farmers until trade negotiations achieve a truly fair world market.

When and if changes to current farm policy do occur, it must be done in a transitional manner. The transition must be handled carefully. The sector has taken a long time to get to where it is today. It represents 150-years of government involvement. Attempts to quickly unravel that support will have serious consequences for the agricultural sector specifically and for rural America in general. Agricultural land, through property taxes, often represents the majority of support for rural schools and rural county infrastructure and is the asset base for many producers and their financial portfolios. Land is the basis for several institutions in the banking and credit sector.

Thank you for the opportunity to share our thoughts with you and I look forward to any questions you may have.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2003.

Name: Bob Stallman

Address: 600 Maryland Ave SW Ste 1000W
Washington DC 20024

Telephone: 202-406-3600

Organization you represent (if any): American Farm Bureau Federation

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2002, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: NONE **Amount:**

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2002, as well as the source and the amount of each grant or contract:**

Source: FAS, Biotechnology Promotion and Education **Amount:** $141,745

Source: APHIS, Understand Ag Biotechnology Regulations **Amount:** $25,000

Source: NRCS, Soil Conservation Domestic Allotment Act **Amount:** $35,000

Source: USDA, Benchmarks **Amount:** $25,000

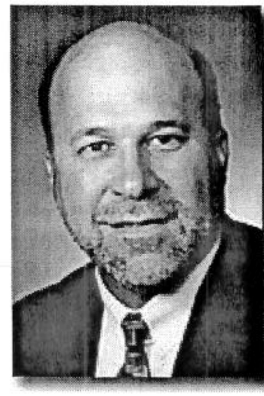
Please check here if this form is NOT applicable to you: ________

Signature: ________

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnessess who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Bob Stallman
President
American Farm Bureau Federation



Bob Stallman, a rice and cattle producer from Columbus, Texas, is serving his fourth term as president of the American Farm Bureau Federation, the nation's largest and most influential general farm organization. The 11th president in the organization's history, Mr. Stallman was first elected president on Jan. 13, 2000. He is the first AFBF president to hail from the Lone Star State.

Prior to becoming AFBF President, Mr. Stallman was president of the Texas Farm Bureau, a position he held since 1993. He became a member of AFBF's board of directors in 1994. Mr. Stallman served on various committees and boards during his tenure on the AFBF board of directors, including chairman of the Audit Committee and chairman of the 1998 Farm Economy Committee. He also sat on the International Trade Advisory Committee.

A 1974 honors graduate of the University of Texas, Mr. Stallman joined the family farm operation in 1975. He quickly assumed leadership roles in Farm Bureau, joining the board of directors of the Colorado County (Texas) Farm Bureau in 1977. He eventually served in all officer positions for the organization, including president.

In addition to Farm Bureau involvement, Mr. Stallman has been selected to serve on various state and federal committees. In 1996, then-Texas Gov. George W. Bush appointed Mr. Stallman to the Citizen's Committee on Property Tax Relief. That same year, Mr. Stallman was appointed by then-House Agriculture Committee Chairman Pat Roberts to the Commission on 21st Century Production Agriculture, a panel that proposed recommendations on farm policy for Congress and the administration.

In 2002, Mr. Stallman began serving on the board of directors for the American Council for Capital Formation (ACCF), an organization highly regarded for the role it plays in the debate on tax and environmental policy issues. In September 2001, he was appointed to serve on the Agricultural Policy Advisory Committee for Trade (APAC), which provides the Secretary of Agriculture and the U.S. Trade Representative information and advice on trade negotiating objectives. In June 2001, Mr. Stallman began serving on the Advisory Committee on International Economic Policy (ACIEP), the State Department's principal advisory panel regarding international economic issues. In Spring 2001, he began serving on the board of trustees for the Farm Foundation, a nonprofit organization that improves the well-being of U.S. agriculture and rural people. In addition, he serves on the Advisory Board of the World Agricultural Forum, an independent organization that encourages open debate and discussion of international food, fiber and fuel issues.

Mr. Stallman is a member of the Texas A&M College of Agriculture Development Council and a life member of the University of Texas Ex-Students' Association. He has served as co-chairman of the Texas Agriculture Summit. He also served on the executive committee of the Texas Rice Task Force.

Mr. Stallman was the recipient of the Texas A&M "Friend of Agriculture" award in 1999. In 1986, he was chosen "Man of the Year in Agriculture" by the Columbus (Texas) Rotary Club.

A member of St. Paul's Lutheran Church in Columbus, Texas, Mr. Stallman is married to Stacey Lynne Bryan. He has two daughters who reside in Houston, Texas: Kimberly Willingham, who is a school teacher, and son-in-law Daniel; and Angela Kulhanek, who is a registered nurse, and son-in-law Devin, and three granddaughters, Ashley, Brooke and Kinley.